General Motors, Disney, Shell and 1,200 other companies commit to fight climate change

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More than 1,200 global businesses, including U.S. companies such as Disney, Shell and General Motors, are moving to embrace a carbon price - even if President Donald Trump isn't, according to a new report by a Washington climate think tank.

While the president has suggested that tackling climate change will undermine the economy and hamstring businesses, chief executives have been busy voluntarily putting a price on their own carbon dioxide emissions.

Pricing carbon, or assigning a dollar value per ton of carbon dioxide emissions, creates a financial incentive for companies to reduce emissions.

The report published on Tuesday by the Center for Climate and Energy Solutions is the first major study of corporate carbon pricing since Trump's election.

The findings are based on information disclosed to CDP, formerly known as Carbon Disclosure Project, an organization that helps investors, companies and cities track greenhouse gas emissions, as well as the companies' sustainability reports.

The CDP found that 517 companies have put a price on carbon and 732 are planning to do so in the next two years.

The think tank also interviewed representatives from 20 major companies between November 2016 and July 2017.

Companies that have put a price on carbon include Microsoft, Disney, Swiss Re, Unilever, Shell, BP, BHP Billiton, Rio Tinto and General Motors.

"Carbon pricing is a tool that is rising on the corporate agenda. It has grown across all sectors and geographies," Manjyot Bhan, the lead author of the Center for Climate and Energy Solutions report, said in an interview with The Washington Post.

According to the World Bank, governments in 42 countries and more than 20 cities, states and provinces have either put a price on carbon or intend to do so.

California has recently extended its cap-and-trade scheme out to 2030, forcing big polluters to buy and trade carbon credits to cover their emissions. The European Union has been pricing emissions since 2005, and China is expected to launch a nationwide trading scheme in the next four months.

There's nothing to force companies outside of such jurisdictions to price their carbon emissions. But a growing number of businesses are doing so of their own accord.

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According to CDP data for 2016, more than 1,200 companies are either pursuing internal carbon pricing or planning to do so in the next two years - an increase of 23 per cent compared with 2015.

About 80 firms in the United States have a price on carbon and 130 plan to do so in the next two years, according to the CDP.

Some companies may choose to do this with a carbon fee, assigning a sum of money to CO2 emissions. The revenue will often be used by the business to fund emissions reduction measures such as purchasing renewable energy or boosting energy efficiency.

Others may use a "shadow price" - a hypothetical cost applied to CO2 within a company. Although this doesn't involve handing over any real money, businesses can use it to inform their decision-making, such as when to invest in a low-carbon alternative.

Microsoft implemented a carbon fee in 2012, ranging between $5-10 per metric ton of CO2. So far, this revenue has enabled the company to reduce its emissions by 9.5 million metric tons.

Disney adopted a carbon fee in 2013, ranging from $10 to $20 per metric ton of CO2, using the money to offset its emissions with forestry carbon credits. Ben and Jerry's, operated by Unilever, uses an internal carbon fee of $10 per metric ton.

Companies using the shadow pricing approach tend to place a higher value on a metric ton of CO2. Shell applies a $40 per metric ton cost to all the emissions resulting from its investments, while BP applies a $40 per metric ton price to any large new projects in industrialized countries.

"For the oil and gas sector, the biggest challenge is how to manage the risks that may come up in the future where their assets may be stranded, or where a certain project or facility is threatened by a greater carbon price at the government level," Bhan said.

Why would companies impose a carbon price on themselves?

Trump has characterized climate regulations as costly red tape, but for businesses, the threat is real. According to Tuesday's report, many companies have taken the carbon pricing route because of pressure from activist investors who are concerned about tackling climate change.

Despite Trump's exit from the Paris deal, many chief executives think it is just a matter of time until they face more stringent climate regulations. They figure that moving to an internal carbon price ahead of time would reduce the shock.

And while Trump may deny the existence and the threat of climate change, the carbon pricing tool has gained some bipartisan support over the years as a market-based solution to rising emissions.

In February, a group of Republican elder statesmen, including two former secretaries of state, called for a carbon tax.

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